

FOR

DATE

TIME

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OF

PHONE

<input checked="" type="checkbox"/>	TELEPHONED
<input type="checkbox"/>	PLEASE CALL
<input type="checkbox"/>	URGENT

<input type="checkbox"/>	WILL CALL AGAIN
<input type="checkbox"/>	CALLED TO SEE YOU
<input type="checkbox"/>	WANTS TO SEE YOU

MESSAGE

Mike N.
9/27 11:30
Al Hardy
Dickison, ND
701-227-0101

Call after
1pm

St



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578-1642
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Mr. Albert J. Hardy
House, Hardy, Galloway & Maues, P.C.,
137 First Ave. West
P.O. Box 370
Dickinson, N.D. 58601

Re: Gaffney Mining Lease
Dear Al:

~~I have~~

Enclosed is a revised agreement ^{incorporating} ~~reflecting~~
the charges ~~identified~~ set forth in your
letter and in our phone conversation of last
week.

Section 1.2 has been modified so as to
apply only to exploration. Section 1.4 was
added to expand those rights upon exercise
by Broken of its option to purchase. Section
4.2 was modified to provide that Broken
will be deemed to have exercised its
option to purchase by including The Premises
within an approved State Mining Permit.

I look forward to discussing this
further upon your review of the charges.
Best regards.

Sincerely,
Broken

WJH

~~MINING~~ ^{EXPLORATION} LEASE WITH OPTION TO PURCHASE AGREEMENT

THIS MINING LEASE WITH OPTION TO PURCHASE AGREEMENT (hereinafter "Agreement") is made and effective the _____ day of July, 1988 by and between RODNEY GAFFREY and MARY JUNE GAFFREY, husband and wife (hereinafter "Owner", whether one or more), whose address is RR #1, Box 24, Dickinson, North Dakota 58601, and BROHM MINING CORPORATION, a South Dakota corporation (hereinafter "BROHM"), whose address is 20 Cliff St., P.O. Box 485, Deadwood, South Dakota 57732.

1.0 INTERESTS GRANTED

1.1 GRANT OF LEASE. In consideration of Ten Dollars (\$10.00) and other good and valuable consideration, and in further consideration of the mutual covenants set forth herein, Owner does hereby grant, lease, let, give and demise to BROHM, solely for the purposes stated herein, all those certain patented mining claims situated in Lawrence County, State of South Dakota, being more particularly described in Exhibit "A" attached hereto and made a part hereof, together with all ore, minerals and mineral substances of every nature and character, whatsoever (hereinafter "Premises"), together with rights hereafter acquired by Owner to the Premises. The interests leased are subject only to existing leases, rights-of-way, easements and encumbrances of record and the right of Owner to use the Premises subject to the rights granted to BROHM herein.

1.2 GRANT OF RIGHTS. Owner hereby grants to BROHM, ^{for exploration purposes} the following exclusive rights to be exercised upon and with respect to the Premises:

- (a) ^{Sample and test,} To enter the Premises to survey, explore, prospect, drill, ~~develop, mine, cross-mine, stockpile, remove, leach, concentrate, mill, smelt, beneficiate, process, and ship, and market,~~ without limitation, all ores, metals, minerals, tailings, concentrates, and all other mineral substances and products of every nature and character whatsoever (hereinafter "Minerals") ^{as may be required for the conduct of its exploration and related operations.}
- (b) ^{For exploration purposes,} To construct, use, maintain, repair, replace, and relocate buildings, ore bins, shafts, declines, inclines, tunnels, drifts, open pits, reservoirs, tailings ponds, waste dumps, ore stockpiles, roads, power, and communications lines, and any other structures and facilities;
- (c) To use the Premises for the storage or permanent disposal of Minerals, water, waste or other materials produced from the Premises or other real property;
- (d) To use all easements, means of access, and rights-of-way for ingress and egress to and from the Premises;
- (e) To appropriate, develop, use, consume, drain, and dispose of all water on or appurtenant to the Premises;
- (f) To use any mining method, whether or not the method is in general use at the time of the execution of this Agreement, including, without limitation, underground mining (including methods, such as block cavings, which result in the disturbance or subsidence of the surface), surface mining (including strip mining, open pit mining, and dredging), and in situ mining (including solution mining, leaching, gasifications, and liquification);

Insert A

1.4 GRANT OF RIGHTS UPON ELECTION TO PURCHASE.

Should Brohm elect to exercise the Purchase Option granted in Section 1.3, this ~~Agreement~~ ^{Agreement} shall immediately and automatically and without further action, and without the execution of any additional instrument, be converted into a Mining Lease between Owner and Brohm, ~~upon the following~~ ^{the grant of rights} ~~and shall be~~ ^{grant of rights which are as follows:}

Should Brohm elect to exercise its Purchase Option,

a) ~~Owner~~ ^{hereby} grants to Brohm the exclusive right to enter the Premises to

drill, develop, mine, cross-mine, survey, explore, prospect, concentrate, mill, smelt, stockpile, remove, leach, market, without limitation, beneficiate, process, ship, and tailings, concentrates, and all ~~ores, metals, minerals,~~ ^{minerals} products of every nature and character whatsoever. (hereinafter "Minerals").

b) Should Brohm elect to exercise its Purchase Option, Owner further grants to Brohm all those exclusive rights set forth in Section 1.2 b, c, d, e, f, g and h above.

(g) To exercise all other rights which are incidental to any and all of the rights referred to herein; and

(h) To use the Premises for all of the purposes stated in this Section in conjunction with BROHM's activities on other properties.

1.3 GRANT OF PURCHASE OPTION. In consideration of Ten Dollars (\$10.00), and in further consideration of the mutual covenants set forth herein, Owner does hereby grant to BROHM an exclusive and irrevocable option to purchase (hereinafter "Purchase Option") the Premises together with all water rights, structures, improvements, fixtures and appurtenances thereon.

1.4 GRANT OF RIGHTS UPON ELECTION TO PURCHASE.
(See Insert A)

2.0 TERM

2.1 TERM OF AGREEMENT. This Agreement is granted for an initial term of ten (10) years from the date hereof (hereinafter "Primary Term"). It is expressly agreed that unless the Purchase Option is terminated or exercised as provided herein, the grant of Purchase Option, set forth in Section 1.3, shall not extend beyond the Primary Term and shall terminate without further action at the end of the Primary Term.

3.0 PAYMENTS

3.1 MINIMUM ADVANCE ROYALTY PAYMENTS. BROHM shall pay to Owner the minimum advance royalty payments (hereinafter "Minimum Payments"), on the dates and in the amounts set forth below. All Minimum Payments paid to Owner shall be credited against any production royalties that accrue as provided in Section 3.2(c) (CREDIT/OFFSET) and against the Purchase Price as provided in Section 4.1 (PURCHASE PRICE). In the event no Minerals are produced from the Premises, Owner shall have no obligation to refund Minimum Payments. BROHM shall have the right to prepay any Minimum Payments. The Minimum Payments shall be in lieu of any obligation, express or implied, to explore or develop the Premises or perform any work thereon.

MINIMUM PAYMENT SCHEDULE

<u>Amounts</u>	<u>Due Dates</u>
\$ 2,000.00	Upon execution of this Agreement by Owner and BROHM.
\$ 2,000.00	On or before the first, second, third and fourth anniversary dates of this Agreement.
\$ 3,000.00	On or before the fifth, sixth, seventh, eighth and ninth anniversary dates of this Agreement.
\$65,000.00	On or before the tenth anniversary date of this Agreement.

3.2 NON-PARTICIPATING PRODUCTION ROYALTY.

(a) Net Smelter Return. BROHM shall pay Owner a Non-Participating Production Royalty (hereinafter "Production Royalty") of two percent (2%) of the Net Smelter Returns (hereinafter "NSR") of Minerals produced from the Premises during the term of this Agreement. For purposes herein, NSR shall be defined to mean the entire proceeds received from a smelter, reduction works, refinery or other purchaser from the sale of Minerals produced from the Premises, less:

- (i) the amount of all taxes, other than federal or state income tax, and including, without limitation, sales tax, net proceeds tax, severance or production tax, or any other tax imposed upon or in connection with the mining, removal or sale of Minerals;
- (ii) all charges and costs for transportation of Minerals to the place of sale, whether transported by BROHM or a third party;
- (iii) all charges, costs, deductions and penalties for treatment, processing, beneficiation, smelting, and refining the Minerals, including, without limitation, crushing and screening, but excluding all mining costs; and
- (iv) the costs of insurance for the Minerals.

(b) Royalty Calculation. The amount of Production Royalty due Owner shall be calculated as follows:

- (i) for gold produced from the Premises, the Production Royalty payments due Owner on the 30th day of the month succeeding a calendar quarter of production shall be determined on the basis of production quantities and the quarterly average of the daily London Bullion Brokers P.M. Gold Fixing for gold produced from the Premises during the calendar quarter. For purposes herein, Production shall be defined to mean the outturn of fine gold to a BROHM pool account by a third party refinery. The amount paid shall be calculated by multiplying the quantity of gold outturned to a BROHM pool account (or accounts) during the calendar quarter times the average London Bullion Brokers P.M. Gold Fixing for the calendar quarter less the deductions specified in Section 3.2(a), as applicable.
- (ii) for silver produced from the Premises, the Production Royalty payments due Owner on the 30th day of the month succeeding a calendar quarter of production shall be determined on the basis of production quantities and the quarterly average of the daily Handy & Harmon Noon Silver Quotation for the calendar quarter less the deductions specified in Section 3.2(a), as applicable.
- (iii) for Minerals, other than gold and silver, produced from the Premises, the amount of Production Royalty payments due Owner on the 30th of the month following a calendar quarter of production shall be determined on the basis of the amount of Minerals actually sold and the proceeds actually received by BROHM during the calendar quarter, less the deductions specified in Section 3.2(a), as applicable.

(iv) for purposes of subsections 3.2(b)(i) and (ii), above, the average price for the production quarter shall be determined by dividing the sum of all daily prices posted during the calendar quarter by the number of days that prices were posted. The posted price shall be obtained from The Wall Street Journal, Reuters, E&MJ, or another reliable source.

(v) Owner and BROHM acknowledge that the purpose of subsections 3.2(b)(i) and (ii), above, is to assure that Owner receives a Production Royalty in a timely manner for gold and silver produced during a calendar quarter regardless of whether a sale of gold and silver to a third party is made by BROHM. The parties further acknowledge that BROHM shall have the right to market and sell to third parties the gold and silver produced from the Premises in any manner it chooses, including the sale of gold and silver on the commodity market.

(c) Credit/Offset. All Minimum Payments paid to Owner shall be fully recoupable as a credit and offset against any Production Royalty payments that may accrue during the term of this Agreement and against the Purchase Price.

3.3 PAYMENT METHOD. All payments owing to the Owner shall be paid by check or wire transfer. Owner shall be paid Production Royalty payments quarterly, or before the 30th day of the month succeeding each calendar quarter of production. All payments shall be made to the Owner at the address specified above. Owner may designate a different receiving address or account consistent with Section 10.4 (NOTICE). In the event of a present or future division of ownership interest, payment to such single address or account will constitute full satisfaction of BROHM's obligation to pay royalties, and BROHM shall be relieved from any responsibility and liability for the division of disbursements as among the various Owners.

4.0 PURCHASE OPTION

4.1 PURCHASE PRICE.

(a) The purchase price for the Premises, together with all structures, improvements, fixtures and appurtenances thereon (hereinafter "Purchase Price"), shall be as follows:

NINETY THOUSAND DOLLARS (\$90,000.00)
(reserving unto Owner a one percent (1%) non-participating royalty as set forth in Exhibit "B" attached hereto)

The Purchase Price shall apply notwithstanding any variation in the acreage determined by resurvey of the Premises.

(b) There shall be credited against the Purchase Price all Minimum Payments and Production Royalty payments made to Owner together with all expenses incurred by BROHM pursuant to Section 5.1 (OWNER'S WARRANTIES) and Section 5.6 (TAXES). Should the payments referenced above equal the Purchase Price, BROHM shall be deemed to have exercised the Purchase Option and Owner shall convey and deliver to BROHM title to the Premises.

4.2 EXERCISE. BROHM may exercise the Purchase Option at any time during the Primary Term of the Agreement. To exercise the Purchase Option, BROHM shall either (i) deliver written notice to Owner; ~~(ii) mail written notice to Owner and to the Escrow Agent; or~~ (iii) have paid the Purchase Price pursuant to Section 4.1 (PURCHASE PRICE); *or include the Premises*

within the boundaries of a mining plan of operations, approved by the State of South Dakota in a Mining Permit. -4- (070688)

In the event Brohm elects to purchase the Premises by including the Premises in a plan of operation permitted by the State of South Dakota, Brohm may continue making payments to Owner on the dates and in the amounts set forth in the Maximum

In the event BROHM purchases the Premises, this Agreement shall terminate upon payment of the Purchase Price and BROHM shall own all of Owner's right, title and interest and to the Premises, (reserving unto Owner, however, a one percent (1%) non-participating production royalty, as set forth in Exhibit "B" hereto), and BROHM shall have no obligation to make any further payments under this Agreement. *Payment Schedule in Section 3.1, above.*

~~4.3 CLOSING.~~ *Should the Purchase Option be exercised as provided herein, Owner shall deliver and convey to BROHM by warranty deed, in the form attached hereto as Exhibit "B", a good fee simple merchantable title to the Premises together with all water rights, structures, improvements, fixtures and appurtenances thereon, free and clear of all liens and encumbrances and subject only to rights-of-way and easements of record currently affecting the Premises.*

Closing shall be accomplished at a location mutually acceptable to both parties within thirty (30) days of notice of exercise of the Purchase Option ("Closing Date"), it being expressly understood that time is of the essence.

5.0 OWNER'S RIGHTS, COVENANTS AND OBLIGATIONS

5.1 OWNER'S WARRANTIES. Owner covenants, warrants and represents that:

(a) Owner owns the entire undivided title and interest in and to the Premises, and except as specifically set forth in Exhibit "A", that Owner is in possession of the Premises, that Owner has the right to enter into this Agreement, that Owner knows of no other person claiming any interest in the Premises or the ground covered thereby, and that the Premises is free from all liens and encumbrances, except liens for property taxes not yet due and payable; ~~Owner further warrants to BROHM the quiet enjoyment of the Premises and the right to explore, develop, and mine the same;~~ *delete*

(b) BROHM may, at its discretion, take all action necessary (including judicial proceedings) to remove any cloud from or cure any defect in Owner's title to the Premises. Owner agrees to cooperate with BROHM in any such action taken. BROHM may recover from any payments thereafter to become due to Owner hereunder all costs and expenses (including attorney's fees) incurred by BROHM and Owner in any such action taken by BROHM;

(c) Owner has full power and authority to execute this Agreement;

(d) Owner knows of no violation of any applicable federal, state, regional, or county law or regulation relating to zoning, land use, environmental protection, or otherwise with respect to the Premises or activities relating thereto;

(e) Owner represents that to the best of its knowledge and belief, Owner is not aware of any current law or regulation which would prevent the performance of BROHM's rights and obligations under this Agreement;

5.2 TITLE. Upon request by BROHM, Owner shall provide BROHM with recording data with respect to location notices and certificates, affidavits of annual labor, deeds, easements, or other documents which bear upon Owner's title to the Premises, and shall provide BROHM with copies of all such documents and all title reports and abstracts in Owner's possession or control. Owner shall, upon BROHM's request, record any such document in Owner's possession or control which has not been recorded.

5.3 LESSER INTEREST. Without impairment of the covenants and warranties of title contained in this Agreement, if Owner owns less than the entire undivided estate in the Premises, all Agreement payments and the Purchase Price shall be proportionately reduced and all payments due under this Agreement will be payable to Owner only in the proportion that Owner's actual ownership interest in the Premises bears to the whole and undivided estate.

5.4 AFTER-ACQUIRED RIGHTS. If Owner acquires any right or interest in the Premises or in any property within the boundaries of the Premises while this Agreement is in effect, Owner shall promptly notify BROHM in writing of the acquisition. At BROHM's sole election, such right or interest shall become part of the Premises and subject to this Agreement, and Owner shall sign, acknowledge, and deliver to BROHM an Amendment to this Agreement and to the Memorandum of this Agreement so as to include such right or interest.

5.5 INSPECTION.

(a) Owner and its agents, employees, or personal representatives, duly authorized in writing, may inspect the activities of BROHM on the Premises during normal business hours, provided, however, that (i) such inspection shall be made upon no less than seventy-two (72) hours prior notice given to BROHM, and (ii) only under the control and direction of BROHM.

(b) Owner, in the exercise of this right, shall hold BROHM harmless from all claims for damages arising out of any death, personal injury, or property damage sustained by Owner, its agents, employees or personal representatives while in or upon the Premises, unless such death or injury arises as a direct result of the negligence of BROHM.

5.6 TAXES.

(a) While this Agreement is in effect, BROHM shall, in a timely manner, pay or reimburse Owner for all taxes, levies, or assessments occasioned by and attributable to the equipment or actions of BROHM pursuant hereto.

(b) Ad valorem taxes, assessments and levies against the Premises shall remain the responsibility of Owner through the term of this Agreement. In the event of Owner's default in payment thereof, BROHM may pay, at its sole election, such sums as may be due thereby and deduct such payment from any sums due to Owner pursuant to this Agreement. Should the Purchase Option be timely exercised, all ad valorem taxes, levies and assessments for the then-pending tax year shall be pro rated as of the Closing Date.

5.7 CONFIDENTIALITY.

(a) During the term of this Agreement, Owner shall keep all information supplied to it by BROHM or obtained through any other source whatever, concerning BROHM's exploration on the Premises, strictly confidential. Owner shall not disclose to any third person during the term of this Agreement any information, reports, data, maps, surveys, or analysis furnished it by BROHM.

(b) Owner agrees that it shall not use the name of BROHM in any document or press release or disclose any information it may obtain hereunder to third parties or to the public without first having obtained the written approval of BROHM.

(c) Owner further covenants and agrees that in the event it should acquire any knowledge or information relating to internal proprietary technique and methods used by BROHM for purposes of geological interpretation, extraction, mining, processing of minerals or any other proprietary information of BROHM, such proprietary information shall not be used by Owner, or sold, given, disclosed or otherwise made available to third parties or to the public. This subsection shall survive and continue in full force and effect after the termination, for any reason, of this Agreement for a period of two (2) years following the date of said termination.

5.8 DATA. Upon the execution of this Agreement, Owner shall make available to BROHM all available drill core and copies of all geological, geophysical, and engineering data and maps, logs of drill holes, results of assaying and sampling, and disclose all additional data and information Owner has knowledge of which may impact BROHM's rights and obligations under this Agreement.

6.0 BROHM'S RIGHTS, COVENANTS AND OBLIGATIONS

6.1 OPERATIONS.

(a) Exploration, Mining and Other Operations. BROHM shall conduct all operations on the Premises in a good and workmanlike manner and in accordance with accepted mining practices. All decisions with respect to exploration, development and mining of the Premises and the selling of Minerals from the Premises, including all decisions regarding the commencement, suspension, resumption, or termination of any operation, shall be made by BROHM in its sole discretion.

(b) Compliance with Laws and Regulations. BROHM shall comply with all valid state, federal and local laws and regulations governing its operations on the Premises. If this Agreement is inconsistent with or contrary to any law or regulation, the law or regulation shall control and this Agreement shall be deemed to be modified accordingly.

(c) Maintenance/Roads. BROHM agrees to maintain all existing roads, camps, drillsites, and mines used by it in a good and workmanlike manner. BROHM may construct and maintain, at its own expense, any additional roads reasonably necessary or convenient for the conduct of BROHM's operations on the Premises or on other property. BROHM shall endeavor to construct any such additional roads on the Premises at a location agreeable to Owner and BROHM. All additional roads shall be constructed and maintained in such a manner as to bear the traffic necessary to BROHM's operations. Owner may use any additional road so long as its use does not interfere with BROHM's use.

(d) Cross-Mining Rights and Access. During the term of this Agreement, BROHM is hereby granted the right, if it so elects, to possess and use all or any part of the Premises and any or all structures, facilities, tunnels, shafts, pits, openings, ditches, pipelines, equipment, machinery, roads, haulageways and other improvements or appurtenances existing thereon or thereunder for the purpose of developing, producing, removing, extracting, mining, stockpiling, storing, depositing and transporting Minerals from any adjoining or nearby property owned, controlled or operated by BROHM, as part of an operation including the Premises, and for any other purposes, including access, connected with exploration, development, production or reclamation operations on such adjoining or nearby property.

(e) Tailings and Residue. All tailings and other residue resulting from BROHM's extraction, milling, processing, dumping or other operations upon the Premises shall be the sole and exclusive property of BROHM, subject, however, to Production Royalty payments for the processing or further processing thereof. Such tailings and other residue remaining on or in the Premises after expiration of the twelve (12) month period following termination of this Agreement shall become the property of Owner, and BROHM shall have no further right, title, interest, obligation or liability with respect thereto.

6.2 COMMINGLING. BROHM shall have the right to commingle the Minerals produced from the Premises with similar ore or minerals from other properties for the purposes of transportation, storage, milling, processing, leaching, and/or sale or disposition. In the event that such commingling occurs, BROHM shall perform sufficient monitoring, sampling, and analysis to support an accurate determination of production royalties.

6.3 DAMAGES/INDEMNITY.

(a) BROHM shall pay equitable compensation to Owner for actual damages caused by its operations upon the Premises, including but not limited to, damage to crops, trees, grazing values, wells, ponds, fences, gates, roads and structures, and damage sustained by reason of injury to or loss of livestock.

(b) BROHM shall hold Owner harmless for all claims, loss, liability, liens or expense of any kind arising from or related to its activities on the Premises, excepting therefrom such claims or liability caused by the negligence or willful misconduct of Owner, its agents or employees. BROHM agrees to indemnify Owner against any such claims or liability, including all costs and reasonable attorney's fees incurred by Owner in defending against such claim or liability.

6.4 INSURANCE. BROHM shall carry at all times during the term of this Agreement workmen's compensation and other insurance required by state laws and mining regulations, or BROHM may self-insure as to such matters if it qualifies as a self-insurer under the appropriate laws and regulations.

6.5 ADVERSE CLAIMS. In case of suit, adverse claim, dispute or question, as to the ownership of the Premises or of the Minimum Payments or Production Royalties (or any interest therein) payable under this Agreement, BROHM may, at its sole discretion, deposit the payment (or the portion of the payment in dispute, if less than the whole payment is in dispute) into an escrow account and BROHM shall not be held in default in payment thereof until such suit, claim, dispute or question has been finally disposed of. The instructions for said escrow account shall specifically include directions to the escrow agent to invest the deposited funds for maximum economic return consistent with said escrow agent's investment policy including, but not limited to, debt obligations of the United States Government, mutual investment trust funds invested primarily in obligations of the United States Government or its agencies (i.e., so-called "Money Market" Funds such as the Capital Preservation Funds), and certificates of deposits or savings accounts of any bank or savings and loan association insured by an instrumentality of the United States Government. In the event payments are deposited in an escrow account, BROHM shall be entitled to recover all escrow fees and other costs incurred by BROHM in establishing and maintaining an escrow account. Any

payments so withheld shall be paid within thirty (30) days after BROHM has been furnished with the original instruments disposing of the suit, claim or dispute (or certified copies thereof), or after BROHM has been furnished with proof sufficient, in BROHM's opinion, to settle the question. If the rights or interests granted BROHM hereunder are disputed, it shall not be counted against BROHM either as affecting the term of the Agreement, which shall be extended by the period of dispute, or for any other purpose, but BROHM may not withhold any payments due Owner hereunder but may pay the same into escrow or interplead until there is a final adjudication or other determination of the dispute.

6.6 BOOKS, RECORDS AND INFORMATION.

(a) BROHM shall keep accurate records of all Minerals derived, removed and sold from the Premises and of calculations relative to Production Royalty payments and commingled ore from the Premises. Production Royalty payments and adjustments thereto shall be accompanied by a statement of Production Royalty payment calculations, deductions, and adjustments. Within ninety (90) days following the end of each calendar year, BROHM shall furnish Owner an unaudited year end statement showing the amount of Production Royalties paid Owner during the year. All year end statements shall be conclusively presumed true and correct six (6) months from the date furnished Owner, unless within said period Owner takes written exception, specifying with particularity the items excepted to and the ground of each exception. Upon thirty (30) days prior written notice, Owner shall be entitled to an annual independent audit of the matters covered by the statement, during normal business hours and at Owner's expense, provided it selects for the audit an accounting firm of recognized standing, at least one of whose members is a member of the American Institute of Certified Public Accountants. *unless the statement has been adjudicated to have been fraudulent prepared or*

(b) In the event BROHM relinquishes the Premises, upon written request from Owner within six (6) months of termination, BROHM shall supply to Owner copies of any non-interpretive core analysis, drill hole logs, and assays taken from the Premises, if such data is then available. BROHM makes no representation or warranty as to the accuracy or completeness of any such data or information, and shall not be liable on account of any use by Owner or any other person of any such data or information. BROHM shall not be responsible for any loss or destruction of drill core.

7.0 TERMINATION, SURRENDER AND DEFAULT

7.1 DEFAULT. If BROHM fails to comply with any of the provisions of the Agreement, and if BROHM does not initiate and diligently pursue steps to correct the default within forty-five (45) days after written notice has been given to it by Owner specifying with particularity the nature of the default, then upon the expiration of the forty-five (45) day period, all rights of BROHM under this Agreement, except as provided hereunder and in Section 7.4 (REMOVAL OF PROPERTY), shall terminate, and all liabilities and obligations of BROHM, except those liabilities existing on the date of termination, shall terminate. Any default claimed with respect to the payment of money may be cured by the deposit in escrow in the manner set forth in Section 6.5 (ADVERSE CLAIMS), of the amount in controversy (not including claimed consequential, special, exemplary, or punitive damages) and the giving of notice of the deposit to Owner, the amount to remain in escrow until the controversy is resolved or until there has been a final determination of the controversy by arbitrators or a court of competent jurisdiction.

Should BROHM, by notice given to Owner, dispute the existence of a default, then this Agreement shall not terminate hereunder unless BROHM does not initiate and diligently pursue steps to correct the default within forty-five (45) days after the default has been determined by a final decision of arbitrators or a court of competent jurisdiction.

7.2 TERMINATION. BROHM may, at any time, terminate this Agreement, as to all or any portion of the Premises, by delivering to Owner or by filing for record in the appropriate office (with a copy to Owner) a good and sufficient Surrender or Partial Surrender of this Agreement. Upon mailing the Surrender or Partial Surrender to Owner or to the appropriate office, all rights of BROHM under this Agreement with respect to the Premises, or portion of the Premises which was surrendered, except as provided in Section 7.4, (REMOVAL OF PROPERTY), shall terminate and all liabilities and obligations of BROHM with respect to the Premises, or portion of the Premises which was surrendered, shall terminate on the date specified in the notice (except liabilities existing on the date of termination).

7.3 RIGHTS NOT TO BE SUSPENDED. Any dispute between the parties or resolution thereof relating to this Agreement shall not interfere with nor affect any right BROHM may have under this Agreement.

7.4 REMOVAL OF PROPERTY. For a period of twelve (12) months following the termination of this Agreement, BROHM shall have the right, but not the obligation, to remove from the Premises all broken or stockpiled Minerals (subject to the obligation to pay Production Royalties provided for in this Agreement), dumps, tailings, and residue, and all buildings, structures, machinery, equipment, personal property, fixtures, and improvements owned by BROHM or erected or placed on the premises by BROHM. BROHM may keep one or more watchmen on the Premises during the twelve-month period.

8.0 FORCE MAJEURE

(a) BROHM's failure to perform or to comply with any of the covenants or conditions under this Agreement by a condition of Force Majeure shall not be ground for default, cancellation, termination or forfeiture of this Agreement. Force Majeure means any cause or condition beyond BROHM's reasonable control during which time failure to perform under this Agreement is caused or compliance with prevented by severe weather, explosion, unusual mining casualty, damage to or destruction of mill or mill plant facility, fire, flood, civil or military authority, insurrection, strikes, riots, fuel shortages not due to the negligence or lack of diligence by BROHM, judicial orders, litigation, governmental actions, policies, or regulations, which substantially restrict or inhibit BROHM's operations on the Mining Claims under this Agreement, inability to obtain any license, permit or other authorization that may be required to conduct operations on the Mining Claims, acts of God or any circumstance or condition beyond the control of BROHM. Should BROHM claim the existence of a condition of Force Majeure, BROHM shall be excused from, not held liable for, such failure to perform or comply. The term of the Agreement shall be extended for an additional period equal to the duration of the period of Force Majeure. Should BROHM claim the existence

of a condition of Force Majeure, it shall promptly notify Owner in writing of such occurrence, describe the estimated extent of any delays likely to result therefrom, and shall similarly so notify the Owner upon cessation of the condition of Force Majeure.

(b) In the event of a delay caused by Force Majeure, BROHM shall exercise reasonable diligence to resume its obligations and activities pursuant to this Agreement.

(c) BROHM shall have the right to determine and settle any strike, lockout, or industrial disturbance in its sole discretion, and the aforesaid requirement of exercising reasonable diligence to resume operations shall not require BROHM to accede to any demand or position of any other party involved in such strike, lockout, or industrial dispute.

(d) Notwithstanding the above, BROHM shall not be excused from the obligation to make any payments arising under this Agreement.

9.0 ASSIGNMENT

(a) Either party may assign all or any portion of their rights under this Agreement subject to the provisions set forth below.

(b) No change or division in the ownership of the Premises or the payments provided for herein, however accomplished, shall enlarge the obligations nor diminish the rights of BROHM. Owner covenants that any change in ownership shall be accomplished in such a manner that BROHM shall be required to make payments and to give notices to but one person, firm, or corporation. In the event Owner's interest in the Premises or payments are now or hereafter ever owned by more than one party, BROHM may withhold further payments until all such owners have designated a single party to act for all of them hereunder in all respects. No change or division in ownership shall be binding on BROHM until thirty (30) days after Owner has delivered to BROHM a certified copy of the recorded instrument evidencing the change or division.

(c) Brohm shall provide Owner notice of any ^{assignment or} change in its ownership or name.

10.0 GENERAL PROVISIONS

10.1 MEMORANDUM. BROHM and Owner agree to enter into a Memorandum of this Agreement for the sole purpose of giving notice of record of the existence of this Agreement. BROHM may record the memorandum or this Agreement, or both, as it may elect.

10.2 ADDITIONAL DOCUMENTS. Owner shall provide BROHM with such additional title documents as may be necessary to carry out the purposes of this Agreement. If conditions change by reason of conveyances, assignments, or other matters relating to the title or description of the Premises, Owner and BROHM shall execute amendments to this Agreement and the Memorandum, and any other documents which may be necessary or convenient to reflect the changed conditions.

10.3 BROKERAGE. No commission or other compensation shall be claimed against BROHM on account of any finders, brokers or other agents engaged by Owner. Owner agrees to indemnify and hold BROHM harmless from and against any and all judgments, costs of suits, attorney's fees, commissions and other costs and expenses which BROHM may incur by reason of any action or claim against BROHM for commissions or other compensation by any finder, broker or other agent engaged or alleged to have engaged by Owner.

10.4 NOTICES. Any notice required or desired to be given under this Agreement shall be effective when personally served upon the party to be given such notice at the address designated below, or when deposited in the United States mail, certified return requested, or registered with postage thereon fully paid, when deposited with an express courier, or transmitted by telecopier, telex or other electronic means of written communication. Until notified otherwise in writing, the addresses for such notices shall be:

Owner: Rodney and Mary June Gaffrey
R.R. #1, Box 24
Dickinson, North Dakota 58601

BROHM: Brohm Mining Corporation
20 Cliff Street
P.O. Box 485
Deadwood, South Dakota 57732
Attn: Land Department

No change in address shall be binding on the other party until thirty (30) days after notice is communicated in the above manner.

Routine or regular periodical reports and statements hereunder may be sent by regular mail so addressed.

10.5 SEVERABILITY. In the event that any court or administrative body of competent jurisdiction determines that any part, term, or provision of this Agreement is unenforceable, illegal, or in conflict with any state, federal or local law, then, such part, term, or provision shall be considered severable from the rest of the Agreement, and the remaining provisions of the Agreement shall not be thereby affected, and this Agreement shall be construed and enforced as if the Agreement did not contain such part, term or provision.

10.6 SOLE AGREEMENT. This Agreement, together with its exhibits, contains the entire agreement by and between Owner and BROHM and no oral agreement, promise, statement or representation which is not contained herein shall be binding on the parties. This Agreement shall not be modified or amended except by a writing signed by the parties hereto.

10.7 BINDING EFFECT, CONSTRUCTION AND ENFORCEMENT. All covenants, conditions, and terms of this Agreement shall be of benefit to and run with the Premises and shall bind and inure to the benefit of the parties hereto, their respective heirs, successors, personal representatives and assigns. This Agreement shall be construed and enforced in accordance with the laws of the State of South Dakota.

10.8 TITLES. The titles to the respective sections hereof shall not be deemed a part of this Agreement but shall be regarded as having been used for convenience only.

10.9 RELATIONSHIP. Nothing contained in this Agreement shall be construed or deemed to create or constitute a joint venture, mining partnership, commercial partnership or other partnership in relation.

10.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original. If any person named as Owner does not execute this Agreement, it shall nevertheless be binding upon those persons executing it.

10.11 HOMESTEAD. Owner hereby releases and relinquishes any right of homestead exemption which Owner may have in the Premises or in the Minerals.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

OWNER:

By: _____
Rodney Gaffrey

S.S.# _____

By: _____
Mary June Gaffrey

S.S.# _____

BROHM MINING CORPORATION

By: _____

Title: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On this the _____ day of _____, 1988, before me, _____, the undersigned officer, personally appeared Rodney Gaffrey, known to me or satisfactorily proven to be the person whose name Rodney Gaffrey subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

Notary Public

My Commission Expires: _____

[SEAL]

STATE OF _____)
) ss.
COUNTY OF _____)

On this the _____ day of _____, 1988, before me, _____, the undersigned officer, personally appeared Mary June Gaffrey, known to me or satisfactorily proven to be the person whose name Mary June Gaffrey subscribed to the within instrument and acknowledged that she executed the same for the purposes therein contained.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

Notary Public

My Commission Expires: _____

[SEAL]

STATE OF SOUTH DAKOTA)
) ss.
COUNTY OF LAWRENCE)

On this the _____ day of _____, 1988, before me, Deborah L. VanderLaan, the undersigned officer, personally appeared Rex L. Outzen, who acknowledged himself to be the General Manager of BROHM MINING CORPORATION, a corporation, and that he, as such General Manager being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as General Manager.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

Notary Public

My Commission Expires: _____

[SEAL]

EXHIBIT "A"
TO MINING LEASE WITH OPTION TO PURCHASE
DATED _____, 1988
BY AND BETWEEN
RODNEY GAFFREY AND MARY JUNE GAFFREY
AND
BROHM MINING CORPORATION

LEGAL DESCRIPTION

All of Owner's undivided interest in and to the surface estate and Owner's undivided 50% interest in and to the mineral estate to those certain patented mining claims, situate in Lawrence County, South Dakota, and more particularly described as follows:

<u>CLAIM NAME</u>	<u>MINERAL SURVEY #</u>	<u>PATENT #</u>	<u>TSHP</u>	<u>B.H.M. RANGE</u>	<u>SECT</u>	<u>GROSS ACRES</u>
Brilliant	1903	44283	4N	4E	8:NE4	15.146
Brilliant Fraction	1903	44283	4N	4E	8:NE4 9:NW4	10.064
Chrysolite	1903	44283	4N	4E	8:NE4	15.146
Chrysolite Fraction	1903	44283	4N	4E	8:NE4 9:NW4	8.412
Katie	1903	44283	4N	4E	8:NE4 9:NW4	13.746
					=====	
					TOTAL:	62.514

Together with all dips, spurs, angles, extralateral rights, water rights and appurtenances thereto.

Initial for Identification

Exploration
MEMORANDUM
OF
~~MINING~~ LEASE WITH OPTION TO PURCHASE

This Agreement, effective as of the _____ day of July, 1988, is between RODNEY GAFFREY and MARY JUNE GAFFREY, husband and wife, ("Owner," whether one or more), whose address is RR #1, Box 24, Dickinson, North Dakota 58601 and BROHM MINING CORPORATION, a South Dakota corporation ("BROHM"), whose address is 20 Cliff Street, P.O. Box 485, Deadwood, South Dakota 57732.

Recitals

Owner represents that it is the owner of and is in possession of the surface and mineral estate to those certain mining claims situate in Lawrence County, in the State of South Dakota (the "Premises"), being more particularly described in Exhibit A attached hereto and incorporated by reference herein.

BROHM desires to obtain and Owner is willing to grant a mining lease containing an exclusive option to purchase the Premises together with all structures, improvements, fixtures and appurtenances thereon.

NOW THEREFORE, in consideration of Ten Dollars (\$10.00) and other valuable consideration paid to Owner, the receipt and sufficiency of which are hereby acknowledged, and further in consideration of the mutual covenants, agreements, and promises herein contained, the parties hereto agree as follows:

1. Lease. Owner leases the Premises to BROHM for the purpose of *exploring* all ores, metals, minerals, tailings, concentrates, and mineral products. *This exploration lease will automatically convert into a mining lease upon Brohm's election to purchase the Premises, as set forth in the Agreement.*
2. Term. The initial term of this Agreement shall be ten (10) years from the date hereof ("Primary Term"), unless sooner surrendered or otherwise terminated, or until the earlier exercise of the option granted by the paragraph entitled "GRANT OF PURCHASE OPTION".
3. Exclusive Possession. BROHM shall have the exclusive possession of the Premises for mining purposes during the term of this Agreement.
4. Option. Owner grants to BROHM during the Primary Term of the Agreement the sole and exclusive option to purchase the Premises, together with all appurtenances and water rights incident thereto and all personal property thereon, free and clear of all liens and encumbrances.
5. Additional Terms. Additional terms and conditions of this Agreement are contained in an instrument of even date by and between the parties hereto. This Memorandum shall not limit, decrease, increase, or in any manner affect any of the terms of said instrument or any rights, interests, or obligations of the parties thereunder.